

Message Text

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PAGE 01 TEHRAN 00960 01 OF 02 261343Z
ACTION NEA-10

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C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 0960

E.O. 11652: GDS
TAGS: ETRD IR
SUBJ: MAJOR PROJECTS: MINISTRY OF HOUSING -NATIONAL PETROCHEMICAL
CO. PREFABRICATED HOUSING TENDER -- NATIONAL HOMES CORP, LAFAYETTE
INDIANA

REF: A. STATE 19324, B. TEHRAN 0826

1. EMB FIRST LEARNED OF SUBJ PROJECT WHEN MR MICAAEL HAND, REP
OF NATIONAL HOMES CORP, CALLED AT EMB ON JAN 22. SUMMARY OF OUR
EFFORTS ON BEHALF OF NATIONAL HOMES CORP FOLLOWS.

2. COMMERCIAL OFFICER SCHELL AND E/C COUNSELOR BREWIN SPOKE WITH MR
HAND ON SEPARATE OCCASIONS JAN 22 IN ORDER TO GET THE EXACT FACTS
CONCERNING NATIONAL HOMES' BID AND STATUS OF PROJECT. MR HAND SAID TH
AT
HIS COMPANY HAD BEEN INVITED TO TENDER ON THE PROJECT IN DEC 77 AND
IN DUE COURSE SUBMITTED ITS BID. FOLLOWING BID OPENING AND IN
RESPONSE TO REQUEST BY GO'S BUILDING AND HOUSING RESEARCH DIVISION,
NATIONAL CLARIFIED CERTAIN OF ITS COST ESTIMATES WHICH IN THE NED
MADE FOR A REDUCTION IN ITS PRICE. MR HAND SAID THAT NATIONAL HOMES
WAS THE RECOMMENDED BIDDER IN THE BID EVALUATION PREPARED BY BUILD-
ING AND HOUSING DIVISION (DR NEGHBAT) AND NATIONAL HOMES WAS
BEST QUALIFIED OF THE SEVERAL BIDDERS. MR HAND, HOWEVER, EMP-
HASIZED IN OUR SEVERAL CONVERSATIONS WITH HIM JAN 22-24 THAT
GO'S NATIONAL PETROCHEMICAL CO WAS EXERTING PRESSURE ON MINISTRY
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PAGE 02 TEHRAN 00960 01 OF 02 261343Z

OF HOUSING IN FAVOR OF SWISS CONSORTIUM'S BID. MR HAND WAS UNABLE
TO EXPLAIN REASONS FOR THIS PRESSURE, GIVEN OBVIOUS QUALIFICATION
OF NATIONAL HOMES, BUT MADE A PERSUASIVE CASE TO US THAT NPC'S
BIAS WAS A SERIOUS COMPLICATING FACTOR. EMB PROMISED TO DO WHAT IT
COULD IN SUPPORT OF NATIONAL HOMES' BID.

3. ON EVENING OF JAN 22 AT US TRADE CENTER EXHIBIT OF PETROCHEMICAL

EQUIPMENT, AMB AND EC COUNSELOR HAD A BRIEF WORD WITH BAGHIR MOSTOFI (MANAGING DIR NPC) TO ASCERTAIN HOW NPC FELT ABOUT THE CONTRACT (HOUSING IS FOR WORKERS AND STAFF AT IRAN-JAPAN PETROCHEMICAL CO FACILITIES BEING BUILD AT BANDARSHAHPOUR). MR MOSTOFI BRIEFLY RECOUNTED THAT ONE OF HS STAFF HAD SEEN A REP FROM A COMPANY HE BELIEVED TO BE AMERICAN WITH WORD "NATIONAL" IN TITLE AND HAD BEEN PUT OFF BY ALLEGED HIGH PRESSURE TACTICS. MR MOSTOFI VAGUELY SUGGESTED OTHER IMPROPRIETIES AND SAID HE TOLD HIS SUBORDINATE TO "THROW THEM OUT OF YOUR OFFICE". THIS HAS BEEN EMB'S ONLY CONTACT WITH NPC ON MATTER TO DATE BUT FOR OBVIOUS REASONS GIVEN BELOW A HIGH LEVEL APPROACH TO NPC IS PROBABLY NOT INDICATED. WHEN BREWIN TOLD MR HAND OF OUR CONVERSATION WITH MOSTOFI, AND AFTER CHECKING WITH HIS IRANIAN PARTNER, MR DIBA, MR HAND INFORMED THE EMB THAT THE ONLY CONTACT NATIONAL HOMES OR ITS IRANIAN PARTNER HAD HAD WITH NPC WAS A BRIEF PHONE CALL FROM MR DIBA TO SHAPOUR SHERIFI, NPC DIR OF TECHNICAL AFFAIRS, (E.G., INFRASTRUCTURE, HOUSING AND ALL CONTRACTS INVOLVING PETROCHEMICAL TECHNOLOGY). MR HAND SAID THAT MR DIBA MERELY PUT FORWARD NATIONAL HOMES' QUALIFICATIONS TO DO THE PROJECT. MR HAND SAID THAT SHARIFI GAVE NO EVIDENCE OF BELIEVING THAT MR DIBA'S CALL WAS IN ANY WAY IMPROPER. (COMMENT: IT IS TANDARD BUSINESS PRACTICE HERE FOR BIDDERS, FOREIGN AND IRANIAN, TO TRY AND PERSUADE THE CLIENT IN A GOVT CONTRACT HOW QUALIFIED THEY ARE TO DO THE WORK). WE SAID THAT WE WOULD CONTINUE TO PURSUE THE MATTER.

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PAGE 03 TEHRAN 00960 01 OF 02 261343Z

4. ON THE AFTERNOON JAN 23 BREWIN FINALLY REACHED MINISTER OF HOUSING TOWFIQ BY PHONE. RESPONDING TO BREWIN'S OBSERVATIONS ON NATIONAL HOMES' EMINENT QUALIFICATIONS FOR THE JOB, AND INQUIRING AS TO HOW THE EVALUATION PROCESS WAS GOING, MIN SAID ALL BIDDERS WOULD RECEIVE "FAIR AND OBJECTIVE TREATMENT". HE IMPLIED THAT BUILDING AND HOUSING RESEARCH DIVISION WILL IN EFFECT MAKE FINAL DECISION AND THAT HE, THE MINISTER, WULD NOT BE DIRECTLY INVOLVED IN DECISION PROCESS. HE WENT ON TO SAY THAT MINISTRY OF HOUSING OFFICIALS AND NPC REPS PARTICIPZOE WITH EQUAL WEIGHT ON THE EVALUATION TEAM AND THAT "ALL RELEVANT FACTS ARE TO BE CONSIDERED". MINISTER SAID THAT IT WAS HIS UNDERSTANDING THAT NATIONAL HOMES WAS THE BETTER QUALIFIED OF THE 2 REMAINING BIDDERS AND THAT THE SWISS CONSORTIUM WAS ESSENTIALLY "A MANAGEMENT FIRM". HOWEVER, HE SAID HE THOUGHT THE SWISS BID WAS "A LITTLE BIT LOWER". HE SUGGESTED THAT BOTH EMB AND NATIONAL HOMES SHOULD KEEP IN TOUCH WITH MR MEGHABAT WHO WAS THE RESPONSIBLE OFFICER IN THE BID EVALUATION PROCESS.

5. LATE MORNING OF JAN 24, MR HAND INFORMED BREWIN OF ATTEMPT BY MEMCO (THE SWISS BIDDER) IN THE PERSON OF MR BAHMAN KHATEEBLOO (MEMCO AGENT HERE) TO GET NATIONAL HOMES TO PULL OUT FOR SUM OF DOLS 4 MILLION. AFTER AN EXCHANGE OF PHONE CALLS

BETWEEN MR HAND AND BREWIN IT WAS AGREED THAT MR DIBA, WHO LISTENED

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PAGE 01 TEHRAN 00960 02 OF 02 261350Z
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INFO OCT-01 ISO-00 EB-08 NEAE-00 H-01 /020 W
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C O N F I D E N T I A L SECTION 2 OF 2 TEHRAN 0960

TO MEMCO'S OFFICER BUT REJECTED IT, WOULD INFORM MR
NEGHBAT OF MEMCO'S IMPROPER ACTION. LATER IN THE DAY MR HAND TOLD
BREWIN THAT MR NEGHBAT LABELED MEMCO'S ACTION AS GROSSLY
IMPROPER AND WENT ON TO SAY "THAT THE SWISS WILL NEVER GET
THIS CONTRACT; I WILL RESIGN FIRST".

6. BREWIN CALLED MR NEGHBAT AFTERNOON JAN 24 TO GET LATTER'S
VIEWS ON HOW MATTER STOOD. NEGHBAT SAID THAT HE HAD
PREPARED HIS EVALUATION OF THE BIDS AND COULD SAY AS FOLLOWS:

1. NATIONAL HOMES IS LOW BIDDER, HAVING REDUCED ITS BID
AFTER BUILDING AND HOUSING RESEARCH DIVISION REQUESTED CLARI-
FICATIONS FROM NATIONAL HOMES. 2. NATIONAL HOMES FIRM WELL
QUALIFIED TO DO THE WORK AND HE HAD AN EXCELLENT REPORT ON
NATIONAL HOMES. 3. EVALUATION DOCUMENT WILL GO FORWARD TO
MINISTER AND THENCE TO HIGH ECONOMIC COUNCIL FOR FINAL DECISION.
BREWIN INQUIRED THAT IF NATIONAL HOMES WAS LOW BIDDER AND QUALI-
FIED TO DO THE WORK, HOW WAS IT THAT NPC WAS FAVORING THE MORE
COSTLY AND LESS EXPERIENCED SWISS CONSORTIUM? MR NEGHBAT,
AFTER A RATHER PREGNANT PAUSE, SAID THAT HE WAS UNABLE TO
COMMENT ON NPC'S POSITION BUT LATER IN THE CONVERSATION SAID
"IT MAY BE THAT NPC FAVORS THE SWISS CONSORTIUM BUT THIS
WILL NOT WEIGH DECISIVELY IN THE FINAL DECISION". THE GENRAL TENOR
OF MR NEGHBAT'S COMMENTS CARRIED AN IMPLICATION THAT THE
EVALUATION FAVORED NATIONAL HOMES BUT HE DID NOT SAY SO EX-
PLICITLY. GIVEN THE GENERALLY FORTHCOMING AND COOPERATIVE
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PAGE 02 TEHRAN 00960 02 OF 02 261350Z

STANCE BY MR NEGHBAT, BREWIN AGREED TO SOUND OUT COMMERCE ON THE 3 AMERICAN FIRMS MR NEGHBAT SAID, "CAME UP DURING THE BIDDING". (GUARDIAN; DON WEBB, MILLWORK).

7. THE PRO-SWISS CONSORTIUM BIAS OF NPC (AND EMB HAS NO DOUBT THAT NPC'S ATTITUDE WAS AND PROBABLY STILL IS JUST THIS) IS THE MOST TROUBLING ASPECT OF THE CASE BOTH FOR NATIONAL HOMES AND EMB. AFTER CAREFULLY REVIEWING EVERY POSSIBLE DIMENSION TO THE CASE, EMBOFFS WHO HAVE BEEN INVOLVED IN THE MATTER CAN ONLY CONCLUDE THAT NPC'S ATTITUDE IS TOTALLY UNEXPLICABLE UNLESS MEMCO HAS OFFERED A PAYOFF TO HIGH NPC OFFICIALS. IT MIGHT BE NOTED HERE THAT ONE RESPECTED IRANIAN BUSINESSMAN FAMILIAR WITH THE INNER WORKINGS AND PERSONALITIES OF NPC TOLD BREWIN THAT IT IS A WELL-KNOWN FACT THAT NPC DIR SHERIFI "TAKES BRIBES".

A HIGH LEVEL SOURCE IN NIOC WHO KNOWS SHERIFI WELL WAS DECIDEDLY EQUIVOCAL RE LATTER'S REPUTATION FOR HONESTY. IT SEEMS CLEAR THAT SHERIFI EITHER MISUNDERSTOOD MR DIBA'S REMARKS IN PHONE CONVERSATION PARA 3 ABOVE OR DELIBERATELY MISREPRESENTED CONVERSATION TO MANAGING DIR MOSTOFI. EMB THINKS LATTER IS MORE LIKELY. IT SEEMS CLEAR, TOO, THAT IF MEMCO OFFERED MONEY TO NATIONAL HOMES TO GET THEM TO PULL OUT, SWISS FIRM EQUALLY CAPABLE OF ATTEMPTING TO SUBORN NPC OFFICIALS. EMB BELIEVES THAT IF THE BRIBE PROMISED BY MEMCO IS SUFFICIENTLY ATTRACTIVE, ALL THE NPC OFFICIALS INVOLVED CAN BE EXPECTED TO ADVANCE THE CAUSE OF THE SWISS CONSORTIUM AS FAR AS THEY CAN AND IN ANY WAY THAT THEY CAN. MR NEGHBAT CHARACTERIZED MEMCO'S OFFER TO NATIONAL HOMES AS CLEARLY IMPROPER BUT THAT IT WAS "UP TO THE COMPANIES TO DEAL WITH". BREWIN REPLIED THAT MEMCO'S IMPROPER APPROACH WAS NOW A MATTER OF RECORD WITH THE GOI. IN SUM, WHILE WE DO NOT HAVE HARD EVIDENCE THAT NPC OFFICIALS HAVE BEEN CORRUPTED, EMB FINDS THE ATMOSPHERICS DISTINCTLY MALODOROUS.

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PAGE 03 TEHRAN 00960 02 OF 02 261350Z

8. EMB WILL AT A MINIMUM STRESS NATIONAL HOMES' SUPERIOR QUALIFICATIONS WITH STAFF OF HIGH ECONOMIC COUNCIL AND INQUIRE WHEN FINAL DECISION WILL BE REACHED. AT THIS JUNCTURE, EMB BELIEVES FOLLOWING COURSES OF ACTION OPEN TO HIGH ECONOMIC COUNCIL: 1. GIVE AWARD TO NATIONAL HOMES; 2. GIVE AWARD TO SWISS; 3. THROW OUT BOTH BIDS AND ASK FOR MINISTRY TO RETENDER; 4. SEND BOTH BIDS BACK TO MINISTRY FOR "FULLER EVALUATION." IF HIGH ECONOMIC COUNCIL BECOMES COGNIZANT OF A SPREADING STAIN OF CORRUPTION, IT MIGHT STALL INDEFINITELY.

9. AT DR NEGHBAT'S REQUEST, EMB HAS GIVEN HIM INFO CONTAINED PARA 4 REF A. OBVIOUSLY, BY COMPARISON WITH GUARDIAN EL AL, NATIONAL HOMES IS FAR AND AWAY THE SUPERIOR

BIDDER AND THIS WILL NOT BE LOST ON DR NEGHABAT.

10. PLEASE ASSURE CONGRESSMAN FITHIAN'S OFFICE THE EMB IS
WHOLLY BEHIND NATIONAL HOMES CORP AND WILL DO EVERYTHING
IT CAN TO ASSIST.

11. STATE AND COMMERCE WILL BE KEPT INFORMED OF DEVELOPMENTS AS
THEY OCCUR.
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